

**REGISTERED NUMBER: 03385466 (England and Wales)**

Strategic Report, Report of the Directors and  
Financial Statements for the Year Ended 31 December 2019  
for  
Maclellan Management Services Limited



Maclellan Management Services Limited (Registered number: 03385466)

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for the Year Ended 31 December 2019

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Maclellan Management Services Limited

Company Information  
for the Year Ended 31 December 2019

**DIRECTORS:**

P Clark  
J Lambert  
L Mawdsley

**SECRETARY:**

S Pound

**REGISTERED OFFICE:**

Capital Tower  
91 Waterloo Road  
London  
SE1 8RT

**REGISTERED NUMBER:**

03385466 (England and Wales)

**AUDITORS:**

Grant Thornton UK LLP  
Chartered Accountants and Statutory Auditor  
2<sup>nd</sup> Floor  
St John's House  
Haslett Avenue  
Crawley  
RH10 1HS

Maclellan Management Services Limited (Registered number: 03385466)

Strategic Report  
for the Year Ended 31 December 2019

The directors present their strategic report for the year ended 31 December 2019.

**REVIEW OF BUSINESS**

The company is a wholly owned subsidiary of Maclellan Group Limited. The operating profit in the year was £151k (2018: £151k). A dividend of £nil (2018: £nil) was paid during the year. No further dividends are proposed.

The principal activity of the company is the provision of operational and administrative personnel and management services to other group companies. The company is reliant on fellow group companies for its ongoing trading ability in its current form.

**COVID-19**

Maclellan Management Services Limited, and the Support Services Division of which it is a part, has proven resilient in the face of the COVID-19 pandemic. Overall the Division has continued to generate profit and cash during the period, albeit at a reduced level, with COVID-19 estimated to have been responsible for a c.9% revenue decrease during the first lock-down period. The business has worked closely with its customers to maintain critical services and has benefited from the use of the Coronavirus Job Retention Scheme to maintain its employment levels.

The effects of COVID-19, as described above, have been incorporated within the going concern statement below.

**Post Balance Sheet Events**

On 30 January 2020 the World Health Organisation declared the outbreak of coronavirus (COVID-19) a pandemic resulting in the governments of many countries, states and cities taking preventative and protective actions such as imposing restrictions on travel and business operations and advising or requiring individuals to stay at home or quarantine in cases where people have been exposed to the virus.

In an effort to mitigate the impacts of COVID-19, the company has implemented business continuity plans with only key front line staff working in its offices and at client contract locations and as far as possible the remainder of its staff working from home which has meant that there has been limited impact on service delivery and operations.

The company has undertaken a detailed review of the potential impacts of COVID-19 and continues to monitor future developments closely. At the date of this report the impact of COVID-19 has predominantly been short-term reductions in revenue as a result of customer site closures, reductions in services and delays to the commissioning of project work, both in the public and private sector, partially offset by additional services requested in sectors such as health and some central government customers.

The company has concluded that the coronavirus pandemic is a non-adjusting post balance sheet event in accordance with the guidance set out in IAS 10 - Events After the Reporting date, as the significant changes in business activities and economic conditions occurred as a result of events arising after the 31 December 2019 reporting date.

The Interserve Group experienced a cyber incident on 2 May 2020 which had a significant impact on a number of the company's operating IT systems. On becoming aware of the cyber-attack, the company's crisis response was immediately launched and its business continuity plans were implemented. There has been no material impact on the provision of services to the company's customers. As of 24 August, the remediation work carried out across the Group has been completed such that the company believes that there is no residual threat to the group remaining as a result of this incident.

The Interserve Group is conducting a comprehensive investigation into the attack and its remediation measures are ongoing, progressing well and in line with expectations. This main investigation concluded on 7 September as per plan. The investigation has identified no evidence of data exfiltration having taken place.

The Interserve Group complied with all its notification obligations under applicable data privacy law, including to the Information Commissioners Office (ICO) and is co-operating fully with the ICO's investigation. The Interserve Group understands that the ICO has indicated that it may take regulatory proceedings, which may ultimately lead to a monetary penalty and/or enforcement action, the results of which cannot currently be foreseen or estimated reliably.

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Strategic Report  
for the Year Ended 31 December 2019

On 25 June 2020, Mitie Group plc announced the proposed merger with Interserve Support Services for a combined consideration of £271 million comprising £120 million in cash and a 23.4% shareholding in the Mitie Group. Completion of the transaction is subject to certain conditions precedent including approval by the Competition and Markets Authority and the Pensions Regulator but is expected to complete by the end of this year.

**Key Financial and Non-Financial Performance Indicators**

The Support Services division, of which the Company forms a part, use a scorecard of financial and non-financial key performance indicators (KPIs) to measure critical aspects of performance, which align to the Company's strategic objectives. The KPIs are applied to the most relevant tier, whether that be contract or the division as a whole. These primary targets are to deliver substantial future work, maintain the carrying value of investments and generate strong cash conversion.

There is not a future workload for the Company as it does not trade. The Support Services division uses cash conversion as the principle KPI to assess business performance and prospects. The cash conversion KPI for 2019 was 156% for the division (2018: 195%), these figures demonstrate a consistent and strong cash generation performance which has been considered in the going concern review and in the ongoing management of the Company.

There has been no application of non-financial KPIs as the Company acts purely as an administrator of personnel within a larger group with extremely limited external relationships.

Maclellan Management Services Limited (Registered number: 03385466)

Strategic Report  
for the Year Ended 31 December 2019

## **PRINCIPAL RISKS AND UNCERTAINTIES**

The key risks and uncertainties affecting the company are considered to relate to market change, major contracts, key people, the health and safety regime, financial risks and damage to reputation. These risks are discussed below.

The market conditions during 2019 have been particularly tough. The company has continued to operate within the previously implemented Group wide performance improvement plan, Fit for Growth, aimed at improving margin performance to industry norms.

### *Brexit*

The directors have considered the impact that Brexit may have on the company and considered these in short and longer-term planning. The main area of risk is regarding labour mobility and thus the number of EU nationals within our workforce, as well as the broader potential impact on the economy and public spending. Therefore the Company welcomed the statement on 'Safeguarding the position of EU citizens living in the UK and UK nationals living in the EU' made by the UK Government on 26th June 2017. In addition, following the UK Government's agreement with the European Union on citizens' rights, European Union citizens can apply for settled status through the 'EU Settlement Scheme' (fully opened by 30 March 2019), and the agreement that EU citizens' rights will not change until 2021.

The directors believe that this provides significant protections; both for the existing EU workforce within Interserve, but also will ensure that there is not a material impact on our ability to hire future talent. It is also important to note that the existing number of EU citizens working within Interserve is relatively small in proportion to other national groups.

There are not expected to be significant supply chain issues or tariff increases.

## **FINANCIAL RISK MANAGEMENT**

The company has exposure to a variety of financial risks which are managed with the purpose of minimising any potential adverse effect on the company's performance. The Board has policies for managing each of these risks and they are summarised below. The directors are satisfied that given the nature of this company, there are no other significant risks and uncertainties to consider.

### **INFLATION RISK**

A proportion of the company's revenue and costs are linked to inflation. A number of contracts allow any inflationary movement to be passed onto the customer allowing the company to maintain its margin. Where there is not a suitable mechanism for passing on inflationary costs and this risk is borne by the company then a suitable premium will be included within the bid. In addition the company will look to maintain its margin through efficiency savings and renegotiating terms on contract renewal.

### **LIQUIDITY RISK**

The company adopts a prudent approach to liquidity management by maintaining sufficient cash and liquid resources to meet its obligations. Cash flow has been closely monitored throughout the year to ensure that the company is able to pay all creditors as they fall due.

### **CREDIT RISK**

As all significant transactions are with other companies within the group, credit risk is low.

### **FINANCE RISK**

The company is financed by interest free loans and/or interest bearing loans from group undertakings and a bank overdraft that is subject to a group set-off facility.

### **ENVIRONMENTAL IMPACT**

It is the Interserve Group's policy to conduct its operations in an environmentally sustainable manner in order to protect the environment for future generations. In implementing its policy the Group seek, through its operating companies to; comply with relevant environmental legislation and regulation, prevent pollution, the use of natural resources, minimisation of waste and emissions, promote environmental awareness to its employees, and to monitor and improve its environmental performance.

Maclellan Management Services Limited (Registered number: 03385466)

Strategic Report  
for the Year Ended 31 December 2019

## **ANTI-BRIBERY AND CORRUPTION**

As part of the Interserve Group's commitment to compliance in anti-bribery and competition laws, it has worked with the Institute of Business Ethics to develop and launch a smart choice toolkit. This is a decision-making guidance tool providing practical help and guidance on the legal position in a variety of situations in which employees may find themselves, such as when it is and is not appropriate to accept a gift or offer hospitality, practical tips to avoid involvement in facilitation payments and how best to act if faced with a conflict of interest.

## **GOING CONCERN**

The financial statements have been prepared on a going concern basis, which assumes that Maclellan Management Services Limited will be able to meet its liabilities as they fall due in the period to 31 December 2021 ("the going concern review period"). At the date of approval of these financial statements, Maclellan Management Services Limited is a wholly owned subsidiary of Interserve Group Limited ("IGL"), however it is anticipated that before the end of 2020 Maclellan Management Services Limited will be acquired by Mitie Group plc ("Mitie").

### *Forecast models used*

Accordingly, in order to assess the appropriateness of the going concern basis of preparation the directors have assessed the cash flow forecasts of Maclellan Management Services Limited on the basis that the acquisition by Mitie proceeds and the company will form part of the enlarged group through to the end of the going concern review period.

Because the acquisition is not yet completed, the directors have also assessed the cash flow forecasts of Maclellan Management Services Limited on the basis that the acquisition does not proceed and the company remains part of the IGL group for the forecast period.

In performing their assessment the directors considered the principal risks and uncertainties set out within this Strategic Report. The directors' assessment included review of cash flow forecast models which were based on reasonable expectations of future performance and also reasonable worst case scenarios, together with a reverse stress test in the context of the COVID-19 pandemic.

### *Uncertainty in relation to acquisition by Mitie*

The successful acquisition of Maclellan Management Services Limited is dependent upon certain specific conditions, including Mitie shareholder and regulatory approvals which have not yet been satisfied and are outside of the control of Maclellan Management Services Limited. Should, for any reason, the acquisition not proceed, Maclellan Management Services Limited would remain as a subsidiary of IGL and be a guarantor in respect of and reliant upon the existing financing facilities available to the IGL Group. The directors have carefully considered factors which may affect the company's and the IGL Group's future performance and financial position in the context of their available financial resources by reviewing projected cash flow forecasts throughout the going concern review period to 31 December 2021, including downside scenarios and mitigating actions potentially available to IGL.

The markets in which the IGL Group operates have been challenging over the last few years and during 2020 the COVID-19 pandemic has led to a reduction in demand for services across the Group. Furthermore, the IGL Group continues to pursue the satisfactory close out of legacy liabilities and contracts related to the businesses from which the Group has exited (primarily certain construction markets and Energy from Waste projects) and is actively seeking to dispose of some of its remaining businesses.

In the event the acquisition does not complete, the base case IGL forecasts indicate that without renegotiating certain aspects of its current financing arrangements (principally to retain certain disposal proceeds that are immediately repayable under the existing terms of these facilities, deferring interest amounts payable to its lenders and/or renegotiating the quantum of such facilities), the IGL Group could extinguish its available facilities during the going concern assessment period. However, in the absence of the completion of the acquisition by Mitie, the directors believe that there are a range of reasonable alternative actions that could be explored, including entering into discussions with the IGL Group's shareholders and lenders in respect of alternative funding plans and/or other strategic options if required. The outcome of any discussions with the IGL Group's shareholders and lenders remains uncertain.

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Strategic Report  
for the Year Ended 31 December 2019

*Uncertainty in relation to COVID-19*

Forecast models considered by management incorporate the impact of COVID-19 on trading. This impact was based on two scenarios: a case where an initial COVID-19 mandated lockdown lasted for c.3 months during 2020 and a more pessimistic case where a second, more severe lockdown occurs in late 2020 / early 2021 (considered to be the 'reasonable worst case'). The consequential impacts to the stand alone business and enlarged group included, inter alia, expected customer service reductions or project delays reducing monthly revenue for the stand alone business by up to 35% (depending on customer segment) at peak effect, potential increased challenges with customer receipts (of up to 5 debtor days, depending on customer segment), acceleration of supplier payments and the level of UK Government support available through formal schemes such as the Coronavirus Job Retention Scheme.

Maclellan Management Services Limited, and the Support Services Division of which it is a part, has proven resilient in the face of the COVID-19 pandemic. Overall the Division has continued to generate profit and cash during the period, albeit at a reduced level, with COVID-19 estimated to have been responsible for a c.9% revenue decrease during the first lock-down period. The business has worked closely with its customers to maintain critical services and has benefited from the use of the Coronavirus Job Retention Scheme to maintain its employment levels.

Whilst the experience of the initial phase of the COVID-19 pandemic suggests that the forecast reasonable worst case may be more severe than recent trading experience in the first phase lockdown, the directors consider that the limited duration of the pandemic to date does give rise to a level of uncertainty over the impact to the business arising from a potential second wave lockdown and associated recession, together with an uncertainty over the level of Government support available in future. This may lead to further impact on cash generation, working capital and therefore covenant headroom and liquidity, should plausible further downside risks occur as a result of the economic impact of COVID-19 on the sector as a whole. In addition, directors' ability (in their role as subsidiary directors within an enlarged group) to foresee, influence or take appropriate mitigating actions that may be necessary in the future at an enlarged group level are likely to be more limited than they currently are as part of the IGL Group.

*Material uncertainty over going concern*

The directors have considered the various risks and uncertainties mentioned above and have concluded that collectively they represent a material uncertainty which may cast significant doubt upon Maclellan Management Services Limited's ability to continue as a going concern.

Nevertheless, after considering the current trading performance of the Company during the initial COVID-19 lockdown period, the forecast trading performance of the Company if, as expected, the transaction with Mitie concludes, and the forecast trading within the IGL group if it does not, the directors have a reasonable expectation that Maclellan Management Services Limited has adequate resources to continue for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing these financial statements. Accordingly, these financial statements do not include any adjustments that would result if Maclellan Management Services Limited was unable to continue as a going concern.



Maclellan Management Services Limited (Registered number: 03385466)

Strategic Report  
for the Year Ended 31 December 2019

## **EMPLOYEES**

The company's management policy seeks to ensure that all employees' careers are determined solely on merit. No employee will suffer because of gender, race, ethnic origin or religious belief.

It is the company's policy to consider for employment and enable suitably qualified disabled persons to seek and maintain employment and to assist them in overcoming their handicaps at work. The company recognises that special conditions are necessary in view of the nature of its main activities to ensure that disabled persons employed are properly trained for the tasks they perform.

Managers are tasked with developing employees' awareness of factors affecting the business and matters concerning them as employees, and noting employees' views so they can be taken into account when making decisions which may affect them or the business.

**ON BEHALF OF THE BOARD:**



P Clark - Director

28 September 2020

Maclellan Management Services Limited (Registered number: 03385466)

Report of the Directors  
for the Year Ended 31 December 2019

The directors present their report with the financial statements of the company for the year ended 31 December 2019.

**PRINCIPAL ACTIVITY**

The principal activity of the company is the provision of operational and administrative personnel and management services to other group companies. The company is reliant on fellow group companies for its ongoing trading ability in its current form.

Certain requirements of the Strategic Report, including the principal risks and uncertainties of the company and the post balance sheet events are not included within the Report of the Directors as they are shown in the Strategic Report on pages 2 - 7.

**DIVIDENDS**

No dividends were paid during the year (2018: £nil). No further dividends are proposed.

**DIRECTORS**

The directors shown below have held office during the whole of the period from 1 January 2019 to the date of this report.

P Clark  
J Lambert

Other changes in directors holding office are as follows:

C Ling - resigned 28 February 2019  
L Mawdsley - appointed 15 February 2019

Interests in shares and options to purchase shares of those directors who are also directors of Interserve Plc are disclosed in the accounts of Interserve Plc. As at the date of this report and during the year ended 31 December 2019, no indemnities are in force for the directors of this company.

**STATEMENT OF DIRECTORS' RESPONSIBILITIES**

The directors are responsible for preparing the Strategic Report, the Report of the Directors and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Maclellan Management Services Limited (Registered number: 03385466)

Report of the Directors  
for the Year Ended 31 December 2019

**STATEMENT AS TO DISCLOSURE OF INFORMATION TO AUDITOR**

The directors confirm that:

(1) so far as each director is aware, there is no relevant audit information of which the company's auditor is unaware; and

(2) the directors have taken all the steps that they ought to have taken as directors in order to make themselves aware of any relevant information and to establish that the company's auditor is aware of that information.

The directors are responsible for preparing the annual report in accordance with applicable law and regulations.

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

**AUDITORS**

The auditors, Grant Thornton UK LLP, were re-appointed following the Annual General Meeting to conduct the audit for the period ending 31 December 2019.

However, depending upon the outcome of the proposed sale of the entity to the Mitie Group plc, which is anticipated to take place before the end of 2020, Grant Thornton UK LLP may not be the auditor for the period ending 31 December 2020.

**ON BEHALF OF THE BOARD:**



P Clark - Director

28 September 2020

Independent Auditors' Report to the Members of  
Maclellan Management Services Limited

**Opinion**

We have audited the financial statements of Maclellan Management Services Limited (the 'company') for the year ended 31 December 2019 which comprise the Income Statement, Statement of Other Comprehensive Income, Balance Sheet, Statement of Changes in Equity and Notes to the Financial Statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 101 'Reduced Disclosure Framework' (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2019 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

**Basis for opinion**

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

The impact of uncertainties arising from the UK exiting the European Union on our audit

Our audit of the financial statements requires us to obtain an understanding of all relevant uncertainties, including those arising as a consequence of the effects of Brexit. All audits assess and challenge the reasonableness of estimates made by the directors and the related disclosures and the appropriateness of the going concern basis of preparation of the financial statements. All of these depend on assessments of the future economic environment and the company's future prospects and performance.

Brexit is one of the most significant economic events for the UK, and at the date of this report its effects are subject to unprecedented levels of uncertainty, with the full range of possible outcomes and their impacts unknown. We applied a standardised firm-wide approach in response to these uncertainties when assessing the company's future prospects and performance. However, no audit should be expected to predict the unknowable factors or all possible future implications for a company associated with a course of action such as Brexit.

**Material uncertainty related to going concern**

We draw attention to note 2 in the financial statements, which sets out the basis for the directors' assessment of the going concern basis of preparation. In preparing their assessment and the forecasts that underpin it, the directors' have considered the events and conditions in the forecast period to December 2021, including the conditional nature of the anticipated sale of the entity (and other subsidiaries of the IGL group) to Mitie Group plc after the date of these financial statements, and the potential negative impact to future trade, covenant headroom and liquidity of the COVID-19 pandemic and the macroeconomic circumstances it has created. These events and conditions, along with the other matters as set forth in note 2, indicate that a material uncertainty exists that may cast significant doubt on the company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

**Other information**

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Independent Auditors' Report to the Members of  
Maclellan Management Services Limited

**Opinions on other matters prescribed by the Companies Act 2006**

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Strategic Report and the Report of the Directors for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- The Strategic Report and Report of the Directors have been prepared in accordance with applicable legal requirements.

**Matters on which we are required to report under the Companies Act 2006**

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report of the directors' report.

**Matters on which we are required to report under by exception**

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

**Responsibilities of directors**

As explained more fully in the Statement of Directors' Responsibilities set out on page 8, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

**Auditors' responsibilities for the audit of the financial statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an Auditors' Report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our Auditors' Report.

**Use of our report**

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an Auditors' Report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.



Jonathan Maile BSc (Hons) FCA  
Senior Statutory Auditor  
for and on behalf of Grant Thornton UK LLP  
Statutory Auditor, Chartered Accountants  
Crawley  
28 September 2020

Maclellan Management Services Limited (Registered number: 03385466)Income Statement  
for the Year Ended 31 December 2019

	Notes	2019 £'000	2018 £'000
<b>TURNOVER</b>	3	53,548	89,290
Cost of sales		(53,397)	(89,139)
<b>GROSS PROFIT</b>		151	151
<b>OPERATING PROFIT</b>		151	151
Interest receivable and similar income	5	-	242
		151	393
Interest payable and similar expenses	6	-	(242)
Other finance costs	13	(3)	(6)
<b>PROFIT BEFORE TAXATION</b>	7	148	145
Tax on profit	8	(9)	(44)
<b>PROFIT FOR THE FINANCIAL YEAR</b>		<u>139</u>	<u>101</u>

The notes form part of these financial statements

Maclellan Management Services Limited (Registered number: 03385466)Statement of Other Comprehensive Income  
for the Year Ended 31 December 2019

	Notes	2019 £'000	2018 £'000
<b>PROFIT FOR THE YEAR</b>		139	101
<b>OTHER COMPREHENSIVE INCOME</b>			
<b>Items that may be reclassified subsequently to profit or loss:</b>			
Actuarial (gain)/loss - pension scheme		(2)	2
Deferred tax on pension scheme		-	(10)
Income tax relating to items that may be reclassified subsequently to profit or loss		-	-
<b>OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF INCOME TAX</b>		<u>(2)</u>	<u>(8)</u>
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>		<u>137</u>	<u>93</u>

The notes form part of these financial statements

Maclellan Management Services Limited (Registered number: 03385466)Balance Sheet31 December 2019

	Notes	2019 £'000	2018 £'000
<b>CURRENT ASSETS</b>			
Debtors	9	20,304	5,652
<b>CREDITORS</b>			
Amounts falling due within one year	10	(20,333)	(5,672)
<b>NET CURRENT LIABILITIES</b>		<u>(29)</u>	<u>(20)</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		(29)	(20)
<b>PENSION LIABILITY</b>	13	<u>(37)</u>	<u>(183)</u>
<b>NET LIABILITIES</b>		<u>(66)</u>	<u>(203)</u>
<b>CAPITAL AND RESERVES</b>			
Called up share capital	12	20	20
Retained earnings		<u>(86)</u>	<u>(223)</u>
<b>SHAREHOLDERS' FUNDS</b>		<u>(66)</u>	<u>(203)</u>

The financial statements were approved by the Board of Directors and authorised for issue on 28 September 2020 and were signed on its behalf by:



P Clark - Director



Maclellan Management Services Limited (Registered number: 03385466)Statement of Changes in Equity  
for the Year Ended 31 December 2019

	Called up share capital £'000	Retained earnings £'000	Total equity £'000
<b>Balance at 1 January 2018</b>	20	(316)	(296)
<b>Changes in equity</b>			
Total comprehensive income	-	93	93
<b>Balance at 31 December 2018</b>	20	(223)	(203)
<b>Changes in equity</b>			
Total comprehensive income	-	137	137
<b>Balance at 31 December 2019</b>	20	(86)	(66)

The notes form part of these financial statements

Maclellan Management Services Limited (Registered number: 03385466)

Notes to the Financial Statements  
for the Year Ended 31 December 2019

1. **STATUTORY INFORMATION**

Maclellan Management Services Limited is a private company, limited by shares, registered in England and Wales. The company's registered number and registered office address can be found on the Company Information page.

2. **ACCOUNTING POLICIES**

**Basis of preparation**

Maclellan Management Services Limited is a company incorporated in the United Kingdom under the Companies Act. The address of the registered office is given on page 1. The nature of the company's operation and its principal activities are set out in the strategic report on pages 2 to 7.

These financial statements were prepared in accordance with FRS 101 (Financial Reporting Standard 101) 'Reduced Disclosure Framework' as issued by the Financial Reporting Council.

The financial statements have been prepared on the historical cost basis and are presented in sterling which is the functional currency of the company.

The company is exempt from the preparation of consolidated financial statements, because it is included in the group accounts of Interserve Group Limited. Details of the parent whose consolidated financial statements the company is included are shown in note 17 to the financial statements.

As permitted by FRS 101, the company has taken advantage of the disclosure exemptions available under that standard in relation to business combinations, share based payment, non-current assets held for sale, financial instruments, capital measurement, presentation of comparative information in respect of certain assets, presentation of a cashflow statement, standards not yet effective, impairment of assets and related party transactions.

The company has taken advantage of the following disclosure exemptions in preparing these financial statements, as permitted by FRS 101 "Reduced Disclosure Framework":

- the requirements of paragraph 52, the second sentence of paragraph 89, and paragraphs 90, 91 and 93 of IFRS 16 Leases;
- the requirements of paragraph 58 of IFRS 16;
- the requirements of IAS 7 Statement of Cash Flows.

**Going concern**

The financial statements have been prepared on a going concern basis, which assumes that Maclellan Management Services Limited will be able to meet its liabilities as they fall due in the period to 31 December 2021 ("the going concern review period"). At the date of approval of these financial statements, Maclellan Management Services Limited is a wholly owned subsidiary of Interserve Group Limited ("IGL"), however it is anticipated that before the end of 2020 Maclellan Management Services Limited will be acquired by Mitie Group plc ("Mitie").

*Forecast models used*

Accordingly, in order to assess the appropriateness of the going concern basis of preparation the directors have assessed the cash flow forecasts of Maclellan Management Services Limited on the basis that the acquisition by Mitie proceeds and the company will form part of the enlarged group through to the end of the going concern review period.

Maclellan Management Services Limited (Registered number: 03385466)Notes to the Financial Statements - continued  
for the Year Ended 31 December 2019**2. ACCOUNTING POLICIES - continued**

Because the acquisition is not yet completed, the directors have also assessed the cash flow forecasts of Maclellan Management Services Limited on the basis that the acquisition does not proceed and the company remains part of the IGL group for the forecast period.

In performing their assessment the directors considered the principal risks and uncertainties set out within this Strategic Report. The directors' assessment included review of cash flow forecast models which were based on reasonable expectations of future performance and also reasonable worst case scenarios, together with a reverse stress test in the context of the COVID-19 pandemic.

*Uncertainty in relation to acquisition by Mitie*

The successful acquisition of Maclellan Management Services Limited is dependent upon certain specific conditions, including Mitie shareholder and regulatory approvals which have not yet been satisfied and are outside of the control of Maclellan Management Services Limited. Should, for any reason, the acquisition not proceed, Maclellan Management Services Limited would remain as a subsidiary of IGL and be a guarantor in respect of and reliant upon the existing financing facilities available to the IGL Group. The directors have carefully considered factors which may affect the company's and the IGL Group's future performance and financial position in the context of their available financial resources by reviewing projected cash flow forecasts throughout the going concern review period to 31 December 2021, including downside scenarios and mitigating actions potentially available to IGL.

The markets in which the IGL Group operates have been challenging over the last few years and during 2020 the COVID-19 pandemic has led to a reduction in demand for services across the Group. Furthermore, the IGL Group continues to pursue the satisfactory close out of legacy liabilities and contracts related to the businesses from which the Group has exited (primarily certain construction markets and Energy from Waste projects) and is actively seeking to dispose of some of its remaining businesses.

In the event the acquisition does not complete, the base case IGL forecasts indicate that without renegotiating certain aspects of its current financing arrangements (principally to retain certain disposal proceeds that are immediately repayable under the existing terms of these facilities, deferring interest amounts payable to its lenders and/or renegotiating the quantum of such facilities), the IGL Group could extinguish its available facilities during the going concern assessment period. However, in the absence of the completion of the acquisition by Mitie, the directors believe that there are a range of reasonable alternative actions that could be explored, including entering into discussions with the IGL Group's shareholders and lenders in respect of alternative funding plans and/or other strategic options if required. The outcome of any discussions with the IGL Group's shareholders and lenders remains uncertain.

*Uncertainty in relation to COVID-19*

Forecast models considered by management incorporate the impact of COVID-19 on trading. This impact was based on two scenarios: a case where an initial COVID-19 mandated lockdown lasted for c.3 months during 2020 and a more pessimistic case where a second, more severe lockdown occurs in late 2020 / early 2021 (considered to be the 'reasonable worst case'). The consequential impacts to the stand alone business and enlarged group included, inter alia, expected customer service reductions or project delays reducing monthly revenue for the stand alone business by up to 35% (depending on customer segment) at peak effect, potential increased challenges with customer receipts (of up to 5 debtor days, depending on customer segment), acceleration of supplier payments and the level of UK Government support available through formal schemes such as the Coronavirus Job Retention Scheme.

Maclellan Management Services Limited, and the Support Services Division of which it is a part, has proven resilient in the face of the COVID-19 pandemic. Overall the Division has continued to generate profit and cash during the period, albeit at a reduced level, with COVID-19 estimated to have been responsible for a c.9% revenue decrease during the first lock-down period. The business has worked closely with its customers to maintain critical services and has benefited from the use of the Coronavirus Job Retention Scheme to maintain its employment levels.

Maclellan Management Services Limited (Registered number: 03385466)Notes to the Financial Statements - continued  
for the Year Ended 31 December 2019**2. ACCOUNTING POLICIES - continued**

Whilst the experience of the initial phase of the COVID-19 pandemic suggests that the forecast reasonable worst case may be more severe than recent trading experience in the first phase lockdown, the directors consider that the limited duration of the pandemic to date does give rise to a level of uncertainty over the impact to the business arising from a potential second wave lockdown and associated recession, together with an uncertainty over the level of Government support available in future. This may lead to further impact on cash generation, working capital and therefore covenant headroom and liquidity, should plausible further downside risks occur as a result of the economic impact of COVID-19 on the sector as a whole. In addition, directors' ability (in their role as subsidiary directors within an enlarged group) to foresee, influence or take appropriate mitigating actions that may be necessary in the future at an enlarged group level are likely to be more limited than they currently are as part of the IGL Group.

*Material uncertainty over going concern*

The directors have considered the various risks and uncertainties mentioned above and have concluded that collectively they represent a material uncertainty which may cast significant doubt upon Maclellan Management Services Limited's ability to continue as a going concern.

Nevertheless, after considering the current trading performance of the Company during the initial COVID-19 lockdown period, the forecast trading performance of the Company if, as expected, the transaction with Mitie concludes, and the forecast trading within the IGL group if it does not, the directors have a reasonable expectation that Maclellan Management Services Limited has adequate resources to continue for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing these financial statements. Accordingly, these financial statements do not include any adjustments that would result if Maclellan Management Services Limited was unable to continue as a going concern.

**Critical accounting judgements and key sources of estimation uncertainty**

In the preparation of the financial statements, management make certain judgements and estimates that impact the financial statements. While these judgements are continually reviewed the facts and circumstances underlying these judgements may change resulting in a change to the estimates that could impact the results of the company. Both critical accounting judgements and the key sources of estimation uncertainty are discussed in more detail below:

**Critical accounting judgements**

In the preparation of the financial statements, whilst management make certain judgements, there are no critical accounting judgements contained within these accounts.

**Key sources of estimation uncertainty**

In the preparation of the financial statements, management makes estimates that impact the financial statements. While these estimates are continually reviewed the facts and circumstances underlying these estimates may change resulting in a change that could impact the results of the company. In particular:

*Revenue and margin recognition*

Estimates are made on an ongoing basis with regard to the recoverability of amounts due, liabilities arising and the requirement for forward loss provisions. Regular forecasts are compiled on the outcomes of these types of contracts, which require assessments and estimation relating to the recovery of pre-contract costs, changes in work scopes, contract programmes and maintenance liabilities.

*Carrying value of trade and other receivables*

Allowance for doubtful debt and provisions against other receivables and the carrying value of accrued income, are made using the ECL model brought in with the advent of IFRS 9.

Maclellan Management Services Limited (Registered number: 03385466)

Notes to the Financial Statements - continued  
for the Year Ended 31 December 2019

**2. ACCOUNTING POLICIES - continued**

**Changes in accounting policies**

IFRS 16 Leases replaces IAS 17 Leases along with three Interpretations (IFRIC 4 Determining whether an Arrangement contains a Lease, SIC 15 Operating Leases-Incentives and SIC 27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease).

The adoption of this new Standard would have resulted in the company recognising a right-of-use asset and related lease liability in connection with all former operating leases except for those identified as low-value or having a remaining lease term of less than 12 months from the date of initial application.

For contracts in place at the date of initial application, the company would have elected to apply the definition of a lease from IAS 17 and IFRIC 4 and would not have applied IFRS 16 to arrangements that were previously not identified as a lease under IAS 17 and IFRIC 4.

At this date, the company would have also elected to measure the right-of-use assets at an amount equal to the lease liability adjusted for any prepaid or accrued lease payments that existed at the date of transition.

Instead of performing an impairment review on the right-of-use assets at the date of initial application, the company would have relied on its historic assessment as to whether leases were onerous immediately before the date of initial application of IFRS 16.

For those leases previously classified as finance leases, the right-of-use asset and lease liability are measured at the date of initial application at the same amounts as under IAS 17 immediately before the date of initial application.

There was no impact as a result of transition to IFRS16 in the Companies accounts of the year ended 31 December 2019.

**Turnover**

Turnover represents the recharge of payroll and associated costs incurred in the year to companies within the Support Services division of Interserve Group Limited.

**Financial instruments**

The risk regarding all material foreign currency trading exposures in 2018 was managed by Interserve Plc, and subsequently as of 15 March 2019, Interserve Group Limited. Both evaluate the total group position and offset any exposure as part of the Group banking facilities.

Maclellan Management Services Limited (Registered number: 03385466)Notes to the Financial Statements - continued  
for the Year Ended 31 December 2019**2. ACCOUNTING POLICIES - continued****Taxation**

Current tax, including UK corporation tax, is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date. The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the statement of total comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which the deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary differences arise from the initial recognition of goodwill or from the initial recognition (other than in a business combination) or other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised based on tax laws and rates that have been enacted or substantively enacted at the balance sheet date.

Deferred tax is charged or credited in the statement of total comprehensive income, except when it relates to items charged or credited in other comprehensive income, in which case the deferred tax is also dealt with in other comprehensive income.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the company intends to settle its current tax assets and liabilities on a net basis.

**3. TURNOVER**

The activities of the company are regarded by the directors as a single class of business, and are all performed in the United Kingdom.

**4. EMPLOYEES AND DIRECTORS****Directors**

During the year Messrs Ling, Lambert and Clark were remunerated for their services to the group by Interservefm Ltd. Their remuneration is disclosed in the accounts of that company. It is not considered practicable to allocate their remuneration between the companies of which they are directors.

**5. INTEREST RECEIVABLE AND SIMILAR INCOME**

	2019 £'000	2018 £'000
Other interest income	-	242

Maclellan Management Services Limited (Registered number: 03385466)Notes to the Financial Statements - continued  
for the Year Ended 31 December 2019**6. INTEREST PAYABLE AND SIMILAR EXPENSES**

	2019	2018
	£'000	£'000
Interest payable	-	242

The above charge relates to group interest on the bank overdraft in the year.

**7. PROFIT BEFORE TAXATION**

Operating profit on ordinary activities before taxation is stated after charging:

	2019	2018
	£'000	£'000
Remuneration payable to auditor:		
- Fees payable to the company's auditor for the annual audit of the company's accounts *	-	-
- Fees payable to the company's auditor for other services	-	-

Audit fees of £500 have been borne by Interservefm Limited for 2019 (2018: £500).

**8. TAXATION****Analysis of tax expense**

	2019	2018
	£'000	£'000
Current tax:		
Corporation Tax	21	11
Deferred tax:		
Deferred tax - current year	6	25
Deferred tax - prior period adjustment	(18)	8
Total deferred tax	(12)	33
Total tax expense in income statement	9	44

Maclellan Management Services Limited (Registered number: 03385466)Notes to the Financial Statements - continued  
for the Year Ended 31 December 2019**8. TAXATION - continued****Factors affecting the tax expense**

The tax assessed for the year is lower (2018 - higher) than the standard rate of corporation tax in the UK. The difference is explained below:

	2019 £'000	2018 £'000
Profit before income tax	<u>148</u>	<u>145</u>
Profit multiplied by the standard rate of corporation tax in the UK of 19% (2018 - 19%)	28	28
Effects of:		
Other short-term timing differences adjustment	(26)	(17)
Deferred tax - current year	25	25
Deferred tax - prior period adjustment	<u>(18)</u>	<u>8</u>
Tax expense	<u>9</u>	<u>44</u>

**Tax effects relating to effects of other comprehensive income**

	Gross £'000	Tax £'000	2019 Net £'000
Actuarial (gain)/loss - pension scheme	(2)	-	(2)
Deferred tax on pension scheme	<u>      </u>	<u>      </u>	<u>      </u>
	<u>(2)</u>	<u>-</u>	<u>(2)</u>

  

	Gross £'000	Tax £'000	2018 Net £'000
Actuarial (gain)/loss - pension scheme	2	-	2
Deferred tax on pension scheme	<u>(10)</u>	<u>-</u>	<u>(10)</u>
	<u>(8)</u>	<u>-</u>	<u>(8)</u>

**9. DEBTORS: AMOUNTS FALLING DUE WITHIN ONE YEAR**

	2019 £'000	2018 £'000
Amounts owed by group undertakings	20,243	5,608
Other debtors	18	13
Deferred tax asset	<u>43</u>	<u>31</u>
	<u>20,304</u>	<u>5,652</u>



Maclellan Management Services Limited (Registered number: 03385466)Notes to the Financial Statements - continued  
for the Year Ended 31 December 2019**9. DEBTORS: AMOUNTS FALLING DUE WITHIN ONE YEAR - continued**

Amounts due from group undertakings are unsecured, interest free and repayable on demand. Intra group trade balances are amounts arising from the company trading with other entities within the group.

	Deferred Tax £'000
At 1 January 2019	31
Profit and loss account charge	12
Credit to other comprehensive income	<u>-</u>
At 31 December 2019	<u><u>43</u></u>

The deferred tax asset represents timing differences in relation to general provisions and deferred tax on the pension scheme. The directors expect that these timing differences will be utilised in future periods.

**10. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR**

	2019 £'000	2018 £'000
Bank loans and overdrafts (see note 11)	19,067	4,004
Amounts owed to group undertakings	253	314
Corporation tax	31	10
Social security and other taxes	982	1,342
Other creditors	<u>-</u>	<u>2</u>
	<u><u>20,333</u></u>	<u><u>5,672</u></u>

Amounts due to group undertakings are unsecured, interest free and repayable on demand. Intra group trade balances are amounts arising from the company trading with other entities within the group.

**11. FINANCIAL LIABILITIES - BORROWINGS**

	2019 £'000	2018 £'000
Current:		
Bank overdrafts	<u><u>19,067</u></u>	<u><u>4,004</u></u>

Terms and debt repayment schedule

	1 year or less £'000
Bank overdrafts	<u><u>19,067</u></u>

**12. CALLED UP SHARE CAPITAL**

Allotted, issued and fully paid:

Number:	Class:	Nominal value:	2019 £	2018 £
20,000	Ordinary	1	<u><u>20,000</u></u>	<u><u>20,000</u></u>

Maclellan Management Services Limited (Registered number: 03385466)

Notes to the Financial Statements - continued  
for the Year Ended 31 December 2019

**13. EMPLOYEE BENEFIT OBLIGATIONS**

The Company contributes to a defined benefit pension scheme in the UK, the Interserve Pension Scheme, where benefits are generally related to service and final salary. The Interserve Pension Scheme comprises two segregated sections (referred to as the Interserve and Landmarc sections), with assets and liabilities ring-fenced. The Company is only associated with the Interserve section, which has multiple participating Interserve Group employers, and has contributed xx% of total contributions in the year (2018: £xxx). If one employer in the Interserve section undergoes insolvency proceedings, the remaining employers will be liable to meet any underfunding in the usual way under the Pensions Act 2004 statutory funding regime and employer debt legislation.

The Company operates a defined contribution plan for new hires, with membership of the defined benefit arrangements only permitted when specific contract terms require defined benefit provision. Contributions to the defined contribution arrangements are in addition to those set out below and are charged directly to profit and loss.

The Interserve pension scheme has been valued for the purposes of IAS 19 Employee benefits. The pension scheme valuation information has been updated by Lane Clark & Peacock LLP, qualified independent actuaries, to take account of the requirements of IAS 19 in order to assess the liabilities of the scheme as at 31 December 2019.

However, the Company has been unable to identify its share of the underlying assets and liabilities in the main group scheme on a consistent and reasonable basis. Therefore, the Company is accounting for contributions to the Scheme as if it were a defined contribution scheme.

The current funding target for the Group's defined benefit scheme is to maintain assets equal to the value of the accrued benefits based on projected salaries (where relevant). The regulatory framework in the UK requires the Trustees and Group to agree upon the assumptions underlying the funding target, and then to agree upon the necessary contributions required to recover any deficit at the valuation date. There is a risk to the Group that adverse experience could lead to a requirement for the Company to make considerable contributions to recover any deficit.

The Interserve pension scheme has a net pension surplus of £102.3m (2018: Surplus of £93.9m). The aggregate pension cost incurred by the company for the year for these arrangements was £3,147k (2018: £2,912k). There were no amounts due to or from the scheme at either year end.

After 31 December 2017 a triennial actuarial valuation of the Interserve Pension Scheme was completed in 2019, with an effective date of 31 December 2017 and the future contribution rates were agreed as part of this exercise. Based on the resulting Schedule of Contributions currently in place, Group contributions are expected to be £20.3 million to the various defined benefit arrangements during 2020 (including deficit contributions to the Interserve section of the Interserve Pension Scheme of £15.0 million).

The amounts recognised in profit or loss are as follows:

	Defined benefit pension plans	
	2019	2018
	£'000	£'000
Current service cost	-	-
Net interest on the net defined benefit liability / (asset)	27	6
Past service cost	-	-
	<u>27</u>	<u>6</u>
Actual return on plan assets	<u>75</u>	<u>(28)</u>

Maclellan Management Services Limited (Registered number: 03385466)Notes to the Financial Statements - continued  
for the Year Ended 31 December 2019**13. EMPLOYEE BENEFIT OBLIGATIONS - continued**

Changes in the present value of the defined benefit obligation are as follows:

	Defined benefit pension plans	
	2019	2018
	£'000	£'000
Opening defined benefit obligation	843	1,083
Interest cost	15	16
Benefits paid	(34)	(216)
Effect of IFRIC 14 IAS19	53	(86)
Remeasurements:		
Actuarial (gains)/losses from changes in demographic assumptions	(14)	(3)
Actuarial (gains)/losses from changes in financial assumptions	46	(17)
Actuarial (gains)/losses from changes in experience assumptions	(1)	66
	<u>908</u>	<u>843</u>

Changes in the fair value of scheme assets are as follows:

	Defined benefit pension plans	
	2019	2018
	£'000	£'000
Opening fair value of scheme assets	660	753
Interest income	19	18
Contributions by employer	151	151
Benefits paid	(34)	(216)
Return on plan assets (excluding interest income)	75	(46)
	<u>871</u>	<u>660</u>

Maclellan Management Services Limited (Registered number: 03385466)Notes to the Financial Statements - continued  
for the Year Ended 31 December 2019**13. EMPLOYEE BENEFIT OBLIGATIONS - continued**

The amounts recognised in other comprehensive income are as follows:

	Defined benefit pension plans	
	2019	2018
	£'000	£'000
Actuarial (gains)/losses from changes in demographic assumptions	14	3
Actuarial (gains)/losses from changes in financial assumptions	(46)	17
Actuarial (gains)/losses from changes in experience assumptions	1	(66)
Return on plan assets (excluding interest income)	75	(46)
Change in effect of the asset ceiling, excluding amounts included in net interest	<u>(42)</u>	<u>90</u>
	<u>2</u>	<u>(2)</u>

The major categories of scheme assets as a percentage of total scheme assets are as follows:

	Defined benefit pension plans	
	2019	2018
Equities	54%	55%
Property	16%	16%
Corporate bonds	14%	12%
Gilts	10%	10%
Cash	<u>6%</u>	<u>7%</u>
	<u>100%</u>	<u>100%</u>

Principal actuarial assumptions at the balance sheet date (expressed as weighted averages):

	2019	2018
Discount rate	1.90%	2.70%
Retail price inflation	3.20%	3.40%
Consumer price inflation	2.30%	2.50%
Increase to pensions in payment	2.30%	2.50%
Rates of early leaver revaluation	2.30%	2.50%

Maclellan Management Services Limited (Registered number: 03385466)Notes to the Financial Statements - continued  
for the Year Ended 31 December 2019**13. EMPLOYEE BENEFIT OBLIGATIONS - continued**

Mortality assumptions:

Investigations have been carried out within the past three years into the mortality experience of the Group's defined benefit schemes. These investigations concluded that the current mortality assumptions include sufficient allowance for future improvements in mortality rates. The assumed life expectations on retirement at age 60 are:

Valuation at	2019	2018
Retiring today:		
Males	23.8	24.6
Females	26.2	26.6
Retiring in 20 years:		
Males	25.2	25.8
Females	27.6	27.9

The sensitivities regarding the principal assumptions used to measure the scheme liabilities are set out below:

Assumption	Change in assumption	Impact on scheme liabilities
Discount rate	Increase/decrease by 0.25%	Decrease/increase by 7%
Rate of inflation	Increase/decrease by 0.25%	Increase/decrease by 7%
Rate of salary growth	Increase/decrease by 0.25%	Increase/decrease by 1%
Rate of mortality	Increase/decrease by 1 year	Increase by 4%

**14. CONTINGENT LIABILITIES**

At 31 December 2019 there were contingent liabilities in respect of guarantees given in the ordinary course of business. At 31 December 2019 these amounted to £319,188k (2018: £1,035,544k).

**15. RELATED PARTY DISCLOSURES**

The Company has taken advantage of the exemption under FRS 101 paragraph 8(k) and not disclosed transactions with group undertakings as it was a wholly owned subsidiary of Interserve Group Limited as at 31 December 2019.

Maclellan Management Services Limited (Registered number: 03385466)

Notes to the Financial Statements - continued  
for the Year Ended 31 December 2019

## 16. POST BALANCE SHEET EVENTS

On 30 January 2020 the World Health Organisation declared the outbreak of coronavirus (COVID-19) a pandemic resulting in the governments of many countries, states and cities taking preventative and protective actions such as imposing restrictions on travel and business operations and advising or requiring individuals to stay at home or quarantine in cases where people have been exposed to the virus.

In an effort to mitigate the impacts of COVID-19, the company has implemented business continuity plans with only key front line staff working in its offices and at client contract locations and as far as possible the remainder of its staff working from home which has meant that there has been limited impact on service delivery and operations.

The company has undertaken a detailed review of the potential impacts of COVID-19 and continues to monitor future developments closely. At the date of this report the impact of COVID-19 has predominantly been short-term reductions in revenue as a result of customer site closures, reductions in services and delays to the commissioning of project work, both in the public and private sector, partially offset by additional services requested in sectors such as health and some central government customers.

The company has concluded that the coronavirus pandemic is a non-adjusting post balance sheet event in accordance with the guidance set out in IAS 10 - Events After the Reporting date, as the significant changes in business activities and economic conditions occurred as a result of events arising after the 31 December 2019 reporting date.

The Interserve Group experienced a cyber incident on 2 May 2020 which had a significant impact on a number of the company's operating IT systems. On becoming aware of the cyber-attack, the company's crisis response was immediately launched and its business continuity plans were implemented. There has been no material impact on the provision of services to the company's customers. As of 24 August, the remediation work carried out across the Group has been completed such that the company believes that there is no residual threat to the group remaining as a result of this incident.

The Interserve Group is conducting a comprehensive investigation into the attack and its remediation measures are ongoing, progressing well and in line with expectations. This main investigation concluded on 7 September as per plan. The investigation has identified no evidence of data exfiltration having taken place.

The Interserve Group complied with all its notification obligations under applicable data privacy law, including to the Information Commissioners Office (ICO) and is co-operating fully with the ICO's investigation. The Interserve Group understands that the ICO has indicated that it may take regulatory proceedings, which may ultimately lead to a monetary penalty and/or enforcement action, the results of which cannot currently be foreseen or estimated reliably.

On 25 June 2020, Mitie Group plc announced the proposed merger with Interserve Support Services for a combined consideration of £271 million comprising £120 million in cash and a 23.4% shareholding in the Mitie Group. Completion of the transaction is subject to certain conditions precedent including approval by the Competition and Markets Authority and the Pensions Regulator but is expected to complete by the end of this year.

## 17. ULTIMATE CONTROLLING PARTY

Maclellan Group Limited, a company registered in England and Wales is the company regarded by the directors as the immediate parent company.

As at 31 December 2019, Interserve Group Limited, a company registered in England and Wales was the company regarded by the directors as the ultimate parent company and controlling party and was the smallest and largest group for which group financial statements were prepared. A copy of the financial statements of Interserve Group Limited can be obtained via the Interserve website at [www.interserve.com](http://www.interserve.com).